

NSC BRIEFING

18 July 1956

BACKGROUND--SATELLITE ECONOMIC PROBLEMS

1. In general, the Eastern European Satellites are undergoing a period of intensive industrialization, which is putting great strain on the labor force and requiring an expansion of foreign trade for raw materials. Although there are some individual variations, most of the Satellites are suffering from similar economic shortcomings: low labor productivity and lagging food output.

A. Bulgaria, an agricultural country, does not have adequate resources to maintain the present rate of industrialization. Raw materials must be imported, and a low technological level prevails in industry. Agriculture, however, is Bulgaria's greatest problem and total collectivization, as planned for the near future, will probably affect output adversely.

B. Czechoslovakia is somewhat better off than the other Satellites, especially in consumer goods. The major Czech problem today is the increase of labor productivity, by the addition of new machinery. Since the machine-building industry is a chronic trouble-spot, this productivity drive will be difficult.

C. In East Germany, the most significant problems are a shortage of industrial labor, a declining population, and a scarcity of foodstuffs. A further problem is the need for steadily increasing supplies of raw materials, despite inferior domestic resources and import difficulties.

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D. Hungary's problems include a general scarcity of raw materials and an acute foreign exchange problem. Agriculture has never recovered its prewar level and grain must be imported. Low labor productivity results from worker apathy, obsolete equipment, shortages of materials and poor management.

E. In Poland, as attested by the Poznan riots, low living standards have affected labor morale. Consumer goods are short, poor in quality and expensive, and housing is overcrowded. As in Hungary, grain imports are necessary. The mainstay of Polish industry is the rich coal-mining area of Silesia. However, miner disaffection and inadequate machinery have kept the regime from meeting both scheduled coal sales abroad and domestic requirements.

F. In Rumania, agriculture is the leading problem and food is short. There is also an acute housing problem, and consumer goods are scarce. Oil production is the one bright spot in the Rumanian economy, with exports earning foreign exchange.